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Poultry and Products

Market Brief

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Report Highlights:

The Azeri poultry market is dominated mostly by U.S. chicken leg quarters, due to their affordable prices, although smaller, local whole birds are the favorite. The market is fairly static at 2500 mt per month of chicken leg quarters, but has undergone changes in market players. Until the Azeri energy sector is fully integrated into the world market and revenues dramatically increase, much more growth is doubtful.

Includes PSD changes: No
Includes Trade Matrix: No
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AZERI POULTRY & EGG MARKET

The Azerbaijan poultry market is undergoing some substantial changes due to more efficient sellers appearing in the market and to some others arbitraging "border opportunities." Local poultry production has been moribund since the disassembling of the Soviet Union. The Soviet collective farms that produced poultry in any scale have since stopped producing, leaving it to individual private farmers, who sell in their immediate areas. With little compound feed available and less money to purchase it, domestic producers of chickens have very small, undernourished birds of local genetics. Currently, the only industrial production facility in the country is in the Baku area and is a joint venture with Turkish investment that is reportedly very primitive in operations and small in scale. Another turnkey industrial operation is planned for the Siyazan area, near Quba in the northeast. This operation is planned to have a capacity of 250,000 birds/week. Government of Azerbaijan statistics have domestic production of whole birds (carcass weight) at 14,700 mt in 1997, 14,900 mt in 1996, and 14,300 mt in 1995. These same statistics put the flock size (no differentiation between layers and broilers) at about 13,234,000 birds in 1998, some 12,030,000 in 1997, and 13,333,400 birds in 1996.

Into the gap came chicken leg quarters (CLQ), whole birds (carcasses, no internal organs), and chicken frank imports, initially out of Dubai, usually via the Bandar Abbas, Iran shipping channel. At the start of the appearance of imported poultry in Azerbaijan, there were between ten and twelve importers of American chicken alone. As the market has matured, consolidation has taken place, with about six or seven importers regularly importing U.S. CLQ and chicken franks and other nations' whole chicken. Part of this consolidation is due to the differing freight costs. Importers coming in from Dubai face a \$200/container freight premium versus chicken coming in from Poti, Georgia. CLQ have the largest market share of all poultry items, between 80 and 85 percent. Whole birds are next in share size, with between 15 and 20 percent. Chicken franks are a very small item. Relative pricing between CLQ and whole birds determines share size. The United States leads in CLQ sales, while France has the lead in whole chickens (*Sabco*, *Doux*, *Tilly* brands), followed by Turkish (*Mudurnu*, *Banvit*, *Korksoy*), Hungarian (*Saga Foods*), Bulgarian, German (*Goldgust*) and Brazilian birds (*Sadia*) (listed in no particular order). Saudia Arabian birds (*Al Watnia*) occasionally appear in the market if prices allow. Most importers now buy on consignment and are offered terms of 60 - 90 days, from Bill of Lading date.

The origin of the imports determines pricing. Consumers prefer whole birds from 900 grams to 1.4 kilos in weight, but their affordability limits sales. Prices for Turkish birds are highest among imports, at \$2.20 per kilo, since they are perceived as being fresher for being produced nearby. Hungarian, Bulgarian, and German birds (all small quantities) are next highest in price, followed by Brazilian and French, which are \$1.90 per kilo. French birds come out of Dubai and benefit from a subsidy for the Dubai market. Considered very watery, these birds sell on price. Local birds go for \$2.50 and up, per kilo, and are considered to be the freshest and best tasting, although they are generally much smaller (900g - 1.1 kilo) than imported birds (1 to 1.4 kilos). U.S. whole birds face a size disadvantage. With the smallest available sizes at 1.8 to 2.4 kilos, they are simply too big for this market. Another factor that has value in this market is Halal slaughter certification. In the southern part of Azerbaijan that borders Iran, Halal is the preferred preparation. The Brazilian *Sandia* brand and the French brand *Doux* have benefited from having this certification.

Since the Azeri economy has yet to boom from the energy resources in and around the Caspian Sea, the market is driven mostly by price. Chicken leg quarters from the United States have been the most competitive product in the market and have garnered the major share of the poultry market. CLQ retail prices usually are between \$.85 to \$1.00 per kilo. The peak year for CLQ imports was in 1998, when the monthly volume reached 3,600 metric tons (43,200 mt/year). Due to the continued economic difficulties related to the Russian economic crisis, this volume has dropped down to close to 2,500 mt per month. Many Azeri families had family members in Russia sending money back home every month, but the crisis forced many to curtail their remittances. With the Azeri economy being dormant, this factor had a major impact on discretionary purchases, impacting the sale of meat and poultry.

Poultry imports carry a constructed customs duty of approximately 38% of declared value. The trade reports that, since the beginning of 1999, some Russian marketers are working on the northern border agents to arrange less than full-value (or no) customs assessments for poultry shipments. This problem occurs across the economy and makes market entry difficult to manage for law-abiding companies. According to the trade, the savings on customs duties are being passed onto the consumers to push out other suppliers, in hopes of obtaining the market-maker majority position or monopoly shares in the market. Also, some of the Russian importers are moving large enough poultry volumes into Russia to be able to pass along the benefits of their substantially lower purchase prices as they maneuver into the Azeri marketplace.

Azeri egg production has paralleled the poultry meat pattern. According to government statistics, in 1980 Azeri egg production was 721,200,000 eggs. In 1997, this number had dropped to 492,400,000. Most of the eggs now in the market are imported in from Turkey, with a much smaller number coming from Israel. Local eggs sell for \$.11 each, while Turkish eggs go for \$.07 each. A private sector news service data group pegged egg imports at 79,147,600 eggs for the first six months (January - June) of 1999. In contrast, Azeri government statistics reported 1997 egg imports at 10,378,000 eggs. The government also reports 1997 per capita egg consumption at 77 each (585,200,000 total eggs consumed), down from 155 each in 1985.

Until the economic situation improves in Azerbaijan, it is doubtful if sales of poultry and most other (relatively) expensive food items will improve. The Azeri middle class is quite small and occupies a tenuous position. Azerbaijan has made many strides forward since leaving the Soviet Union, but in certain sectors remains caught in the old ways learned in those days. Economic growth will boost disposable income and stimulate market growth, but there is little prospect of much growth occurring until the energy sector is fully integrated into the global energy market.

Note: a caveat on government statistics - all government statistics in Former Soviet Union countries should be understood in the context of their generation. In the centralized planning environment, statistics took on importance beyond their immediate numerical meanings and were regularly manipulated. The reliability of current government data referenced in this market brief has not been independently verified.

End of report.